

## Tata Consumer Products Limited (Revised)

July 25, 2023

Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Short Term Instruments - Commercial paper <sup>@</sup>	715.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

<sup>@</sup>Total borrowing under commercial paper and fund-based facilities from the banks to remain within an overall limit of ₹715 crore.

### Rationale and key rating drivers

The rating assigned to the proposed commercial paper (CP) issue of Tata Consumer Products Limited (TCPL) continues to factor in its strong business profile with well-established brands and the dominant market position across geographies. TCPL has, over the years, also been foraying into new product categories to keep pace with the changing consumer preferences through new product launches and strategic acquisitions. During FY23, the company has witnessed growth in sales revenue, despite moderation in tea volumes, driven by improved sales performance from its salt and India growth businesses (Ready-To-Drink beverages, Tata Sampann, Tata Soufull and Ready-To-Eat). The overall financial risk profile of the company continues to remain strong, driven by low debt levels, healthy capital structure, and strong debt coverage indicators. Also, TCPL's liquidity profile continues to remain strong, with negative net debt position and largely unutilised sanctioned working capital limits.

The rating continues to positively factor in TCPL being part of the Tata group, driven by an established and experienced management; TCPL's long and established track record in the branded tea industry with a dominant market position in both, the domestic and international marketplace; and its established presence in the other beverages segment across geographies, with a strong brand portfolio, along with the market leadership position in branded salt in India.

The rating continues to positively factor in TCPL being part of the Tata group, driven by an established and experienced management. These rating strengths far outweigh the risks arising out of commodity and currency fluctuations, which the company's operations are exposed to.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors – Not applicable

#### Negative factors

- Large debt-funded acquisition impacting earnings accretion and the liquidity of the company and resulting in net debt to PBILDT rising more than 0.50x.

### Analytical approach: Consolidated

The consolidated approach is considered due to the strong operational, managerial, and financial linkages between TCPL and its subsidiaries. The list of subsidiaries, joint ventures (JVs), and associates are provided in Annexure-6.

**Outlook:** Not applicable

### Detailed description of the key rating drivers:

#### Key strengths

**Ability to consistently achieve sales growth while maintaining profitability levels:** The company has been able to generate consistent growth in its topline with a compounded annual growth rate (CAGR) of 13% (FY20-FY23), while maintaining the PBILDT margins in the 12%-14% range for the past 3 years. During FY23, TCPL's total operating income (TOI) grew by 11%, from ₹12,425 crore in FY22 to ₹13,783 crore in FY23. The India salt segment witnessed 25% growth in revenue, the India growth segment witnessed 53% growth in revenue, and non-branded business witnessed a growth of 21%. The growth in India Beverages was 1% owing to lower volumes sold mainly due to stress in rural demand and delayed onset of winter. The PBILDT margin in FY23 moderated slightly to 13.5% from 13.8% in FY22, primarily owing to inflation. The profit after tax (PAT) margin during FY23 has improved to 9.58%, as against 8.17% in FY22, due to the exceptional income and improved performance of Tata Starbucks. Higher exceptional income is mainly on account of accounting gain on the conversion of Joint Ventures in South Africa and Bangladesh into subsidiaries and profit on the sale of investment property in Tata Coffee Limited partly offset by one off costs relating to restructuring and re-organization. The continuing strong cash generation has maintained the liquidity at strong levels, leading to a negative net debt position. The gross cash accruals (GCA) improved from ₹1,450 crore in FY22 to ₹1,601 crore in FY23. Going forward, as per CARE Ratings' estimates, the company is expected to grow by 10%-12% while maintaining stable PBILDT%.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

**Comfortable credit risk profile with strong liquidity:** The debt profile of TCPL includes term loans (₹271 crore), finance lease obligations (₹417 crore) and working capital borrowings (₹912 crore), aggregating to ₹1,600 crore as on March 31, 2023. The company has cash and bank balance (₹2,782 crore) and liquid investments (₹755 crore) to the tune of ₹3,537 crore on consolidated level on March 2023. Hence, on a net basis, the company continues to maintain a cash surplus. Furthermore, the company has sanctioned fund-based working capital limits amounting to ₹400 crore, which is mostly unutilised, providing the company additional liquidity. The financial risk profile of TCPL stood comfortable marked by low gearing and comfortable debt coverage metrics. The overall gearing and interest coverage for FY23 were 0.26 and 21x, respectively. In the absence of major debt-funded capex, the overall gearing and coverage ratios are expected to remain at comfortable levels.

**Well-established brand portfolio and geographic presence:** TCPL has well-established products across different categories and geographies. Its product portfolio consists of globally-known brands, including Tetley, Tata Tea, Teapigs, Tata Salt, and Eight O Clock, having strong brand equity. Tata Tea continues to be one of the market leaders in the tea category in India. Tetley, the international tea brand of the group, is the fourth-largest tea brand in the UK and the largest tea brand in Canada. In the India food segment, Tata Salt commands the highest market share among its peers, while Tata Sampann and Tata Soufull are leading brands in the pulses and millets-based breakfast cereal and snack brands, respectively. In liquid beverages, TCPL owns the Himalayan and Tata Gluco+ brands. It also operates Tata Starbucks cafes, which is a 50:50 JV with Starbucks Coffee International Inc, with 333 stores across 41 cities in India as on March 31, 2023.

Overall, in FY23, the India beverages segment accounted for 37% of the revenue, India foods 27%, and international beverages accounted for 26%. The Tata Coffee segment constituted the balance 10%. The company's branded portfolio in India is supported by well-developed distribution network of 11,000+ (including retailers and D2C), with a reach of 3.8 million outlets. Furthermore, the company has improved its sales contribution from the e-commerce segment to 9% of the annual domestic sales in FY23, as compared with 7% in FY22. The company has been launching new products to keep pace with the changing consumer preferences and in FY23 TCPL has introduced 34 new products. In its crown jewel salt segment, there were three new launches in the health and wellness space – (1) Iodized Pink Salt; (2) Tata Salt Vitamin Shakti; and (3) Tata Salt Plus.

**Part of the Tata group with a strong leadership team:** The Tata group, established by Jamshedji Tata in 1868, is a global enterprise, headquartered in India, comprising 30 companies across 10 verticals. The group operates in more than 100 countries across six continents. Tata Sons Limited, the principal investment-holding company and promoter of the Tata group, together with Tata Investment Corporation Limited, holds a 34.4% share in TCPL as on June 30, 2023. The board of directors of TCPL consists of five independent directors, one non-independent director, and three directors. N Chandrasekaran, Chairman of TCPL, is also the Chairman of the board of Tata Sons (since January 2017). He also chairs the boards of several group companies, including Tata Steel, Tata Motors, Tata Power, Indian Hotels, and Tata Consultancy Services (TCS), of which he was the Chief Executive from 2009-17. The board of directors is backed by an experienced top management team consisting of Sunil Dsouza, Managing Director, and Lakshmanan Krishnakumar, Executive Director & Group Chief Financial Officer. With over 27 years of rich experience, Sunil Dsouza has a strong domain knowledge of the consumer products business, with distinct focus on strategy, growth, and execution.

### Key weakness

**Exposure to commodity and currency risk:** TCPL manages the sourcing of tea through auctions and from private producers and is exposed to fluctuations in the prices of tea and coffee. TCPL manages commodity risk by actively managing the sourcing of tea and with the ability to take price increase, when deemed necessary. TCPL's profitability is susceptible to the volatile commodity prices (tea and coffee), notwithstanding TCPL's ability to limit the impact, as demonstrated over the years, with strategies in place for procurement and hedging. The risks associated with coffee is hedged through various available structures. Furthermore, TCPL, having operations in various geographies, is exposed to the foreign currency risk, which is managed through forwards and option contracts under the board-approved hedging policies.

### Liquidity: Strong

The liquidity is marked by stable cash accruals and comfortable cash and bank balance (₹2,782 crores) and liquid investments (₹755 crore) to the tune of ₹3,537 crore on a consolidated basis (including ₹649 crore bank overdraft) as on March 31, 2023. The company maintains a negative net debt position as on March 31, 2023, in the backdrop of significant cash and liquid investments. With an overall gearing of 0.26x as on March 31, 2023, the company has sufficient gearing headroom to raise additional debt for its capex if any. During FY23, the company generated GCA of ₹1,601 crore against total long-term debt repayment obligations of ₹65 crore for FY24. Considering the cash accruals generated by the company in the past and stable operating performance, it is expected that the company would meet its debt obligations comfortably. Furthermore, the company has sanctioned fund-based working capital limits, which is mostly unutilised, providing the company additional liquidity.

### Assumptions/Covenants – Not applicable

### Environment, social, and governance (ESG) risks:

1. Since TCPL has a healthy dependence on agricultural commodities, like tea and coffee, agro climatic conditions have a significant impact on the financials of the company. On one hand, it will impact the input prices and on the other it will impact the rural demand for its other products. The other environmental factors that have an impact on FMCG companies are the eco-friendly packaging and carbon emissions.

The company's environmental targets include the following:

Net zero by 2040, water neutral, zero waste to landfill and 100% packing material to be recyclable, compostable or reusable across geographies by 2030.

2. Social risks include product safety, new avenues of growth in health & nutrition and prioritising employee safety. In terms of product safety, the company has established company-wide quality assurance programs and in terms of nutrition content, the company has been introducing various innovative products focusing on the health and wellness of its consumers. TCPL prioritises employee health and wellbeing and takes numerous measures to provide a safe working environment.
3. Governance remains a universal concept affecting all the companies. TCPL has obtained certificate regarding compliances of all the mandatory conditions of the Corporate Governance as per the relevant regulations. The company's past track record and ongoing commitment towards high governance mitigates the associated risks to a great extent.

TCPL has identified product stewardship, access to nutrition, circular economy and consumer connect as its top ESG priorities.

### Applicable criteria

[Policy on default recognition](#)

[Consolidation](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

[Policy on Withdrawal of Ratings](#)

### About the company and industry

#### Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Diversified FMCG	Diversified FMCG

TCPL, a Tata group company, is among the top 10 FMCG companies in India, with a portfolio of offerings in foods and beverages. The company's portfolio of products includes tea, coffee, water, Ready-To-Drink, salt, pulses, spices, Ready-To-Cook and Ready-To-Eat offerings, breakfast cereals and snacks. The company owns brands like Tata Tea, Tata Salt, Tetley, and Eight O'Clock Coffee, as well as new-age brands like Tata Sampann, Teapigs, Good Earth, Himalayan Water, Tata Gluco Plus, Tata Soulfull, and Tata Q and Ready-To-Eat (Tata Sampann Yumside and internationally Tata RAASA). It is the second-largest branded tea player globally and houses the largest salt brand in India, and is expanding its portfolio into other product categories like staples, snacks, Ready-To-Eat and Ready-To-Cook products, and coffee. It has a brand presence in over 40 countries across USA, Canada, Europe, Russia, the Middle East, South Asia, and Africa.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	12,425	13,783
PBILDT	1,719	1,856
PAT	1,015	1,320
Overall gearing (times)	0.25	0.26
Interest coverage (times)	23.62	21.30

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated:** Annexure-4

**Lender details:** Annexure-5

**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Short Term Instruments-CP/ Short Term loan	Proposed	-	-	7-365 days	715.00	CARE A1+

**Annexure-2: Rating history for the last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Short Term Instruments-CP/ Short Term loan	ST	715.00	CARE A1+	-	1)CARE A1+ (04-Aug-22)	1)CARE A1+ (05-Aug-21) 2)CARE A1+ (06-Jul-21)	1)CARE A1+ (07-Jul-20)

\*Long term/Short term.

**Annexure-3: Detailed explanation of covenants of the rated instruments/facilities – not applicable**

**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Short Term Instruments-CP/ Short Term loan	Simple

**Annexure-5: Lender details**

To view the lender wise details of bank facilities please [click here](#)

**Annexure-6: List of subsidiaries/associates considered for consolidation:**

S. no	Name of Entry	Country of incorporation	Effective ownership %
1	Tata Consumer Products UK Group Ltd. (wef Oct 2022, 100% subsidiary)	UK	100.0
	<b>Subsidiaries of Tata Consumer Products UK Group Limited</b>		
2	Tata Global Beverages Holdings Ltd.	UK	100.0
3	Tata Global Beverages Services Ltd.	UK	100.0

S. no	Name of Entry	Country of incorporation	Effective ownership %
4	Tata Consumer Products GB Ltd.	UK	100.0
5	Tata Consumer Products Overseas Holdings Ltd.	UK	100.0
6	Tata Global Beverages Overseas Ltd.	UK	100.0
7	Lyons Tetley Ltd.	UK	100.0
8	Drassington Ltd.	UK	100.0
9	Teapigs Ltd.	UK	100.0
10	Teapigs US LLC	USA	100.0
11	Stansand Ltd.	UK	100.0
12	Stansand (Brokers) Ltd.	UK	100.0
13	Stansand (Africa) Ltd.	Kenya	100.0
14	Stansand (Central Africa) Ltd.	Malawi	100.0
15	Tata Consumer Products Polska sp.zo.o	Poland	100.0
16	Tata Consumer Products US Holdings Inc.	USA	100.0
17	Tetley USA Inc.	USA	100.0
18	Tata Waters LLC	USA	100.0
19	Good Earth Corporation	USA	100.0
20	Good Earth Teas Inc.	USA	100.0
21	Tata Consumer Products Canada Inc.	Canada	100.0
22	Tata Consumer Products Australia Pty Ltd.	Australia	100.0
23	Earth Rules Pty Ltd	Australia	100.0
24	Tata Global Beverages Investments Ltd.	UK	100.0
25	Campestres Holdings Ltd.	Cyprus	100.0
26	Kahutara Holdings Ltd.	Cyprus	100.0
27	Suntyno Holding Ltd.	Cyprus	100.0
28	Onomento Co Ltd.	Cyprus	100.0
29	Tata Consumer Products Capital Ltd.	UK	100.0
30	Tata Coffee Ltd.	India	57.5
31	Joekels Tea Packers (Proprietary) Ltd. (w.e.f December 28, 2022)	South Africa	75.0
32	Tetley ACI (Bangladesh) Ltd. (w.e.f February 9, 2023)	Bangladesh	100.0
	<b>Subsidiaries of Tata Coffee Ltd.</b>		
33	Tata Coffee Vietnam Company Ltd.	Vietnam	57.5
34	Consolidated Coffee Inc.	USA	78.7
	<b>Subsidiaries of Consolidated Coffee Inc.</b>		
35	Eight O'Clock Holdings Inc.	USA	78.7
36	Eight O'Clock Coffee Company.	USA	78.7
37	Tata Tea Extractions Inc.	USA	100.0
38	NourishCo Beverages Ltd.	India	100.0
39	Tata Consumer Soufull Private Ltd.	India	100.0
40	Tata SmartFoodz Ltd (w.e.f Nov 16, 2021)	India	100.0
41	TCPL Beverages & Foods Ltd (w.e.f Feb 25, 2022)	India	100.0
42	TRIL Constructions Ltd. (w.e.f Nov 17, 2021)	India	80.5*
43	Tata Tea Holdings Private Ltd.	India	100.0
	<b>Joint Ventures</b>		
1	Tetley Clover (Pvt) Ltd. (under liquidation)	Pakistan	50.0
2	Tetley ACI (Bangladesh) Ltd. (upto February 8, 2023)	Bangladesh	-
3	Joekels Tea Packers (Proprietary) Ltd. (upto December 27, 2022)	South Africa	-
4	Tata Starbucks Private Ltd.	India	50.0
	<b>Associates</b>		
1	Amalgamated Plantations Pvt. Ltd.	India	41.0
2	Kanan Devan Hills Plantation Co. Pvt. Ltd.	India	28.5

\*on a fully diluted basis

**Note on the complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for any clarifications.

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